

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 /102 W

----- 067987

R 170910Z DEC 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5582

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

UNCLAS TOKYO 17924

PASS TREASURY, FEDERAL RESERVE AND LABOR

FOR PARIS, PLEASE PASS YEO AND ESCOUBE

E.O. 11652: N/A

TAGS: ECON, EFIN, ELAB, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF DEC 10-17

1. SUMMARY: JAPAN'S REAL GNP HAS INCREASED AT ABOUT 4 PERCENT ANNUAL RATE DURING 6 MONTHS ENDING SEPT ACCORDING TO NATIONAL ACCOUNTS DATA RELEASED THIS WEEK. OCT INDUSTRIAL PRODUCTION AND SHIPMENT FIGURES INDICATE THAT QUITE SLOW BUT FAIRLY STEADY RISE IS CONTINUING. WITH TRADE BALANCE REMAINING AT RELATIVELY LOW LEVEL AND IN VIEW OF WEAKNESS OF YEN ON FOREX MARKETS, MINISTRY OF FINANCE EASED EXCHANGE CONTROLS TO ENCOURAGE INFLOW OF DOLLARS. END SUMMARY.

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2. REAL GNP INCREASED AT ABOUT 4 PERCENT ANNUAL RATE IN

SECOND AND THIRD QUARTERS OF 1975 ACCORDING TO NATIONAL ACCOUNTS DATA RELEASED BY EPA THIS WEE. MAJOR UPWARD REVISION IN SECOND QUARTER GNP ESTIMATE MADE IT LIKELY GOJ WOULD EXCEED TARGET OF 2.2 PERCENT REAL GROWTH FOR CURRENT FISCAL YEAR, WHICH ENDS MARCH 1. OTHER HIGHLIGHTS OF NATIONAL ACCOUNTS FIGURES SHOW GRADUAL SLOWDOWN IN PAST 6 MONTHS OF FINAL DOMESTIC DEMAND AND SHARP SLOWDOWN AFTER SECOND QUARTER BOOM IN PRIVATE RESIDENTIAL INVESTMENT.

1975 NAT'L ACCOUNTS: REAL PERCENT CHANGE FROM PRIOR QTR

	JAN-MAR	APR-JUNE	JULY-SEPT
GNP AT MARKET PRICE	-0.3	1.1	1.0
PRIVATE CONSUMPTION	4.4	-0.1	0.9
PRIVATE FIXED INVESTMENT	-6.2	3.5	-0.8
RESIDENTIAL	-5.7	14.6	-0.4
PLANT & EQUIPMENT	-6.4	-0.8	-1.1
FINAL DOMESTIC DEMAND	1.7	1.1	0.6

3. REVISED OCT PRODUCTION AND SHIPMENTS FIGURES SHOW LITTLE CHANGE IN INDUSTRIAL OUTPUT, UT PACE OF SHIPMENTS IS PICKING UP AND INVENTORIES ARE DECLINING. ALTHOUGH MINING AND MANUFACTURING PRODUCTION (JEI 212) WAS REVISED UPWARD FROM PRELIMINARY FIGURE TO SHOW 0.6 PERCENT RISE FROM OCT, PRODUCTION EXCLUDING SHIPS WAS UNCHANGED FROM PRIOR MONTH. SHIPMENTS, HOWEVER, RECORDED HEALTHY INCREASE FOR SECOND CONSECUTIVE MONTH WITH TRANSPORTATION EQUIPMENT AND NON-FERROUS METALS AMONG INDUSTRIES SHOWING STRONG INCREASES IN SHIPMENTS (JEI 239). INVENTORIES TO SHIPMENTS RATIO (JEI 253) DECLINED FOR SECOND CONSECUTIVE MONTH. (DETAILS REPORTED SEPTEL.)

PRODUCTION, SHIPMENTS AND INVENTORY TO SHIPMENTS RATIO (INDEX, 1970-100; PCT. CH. FROM PRIOR MO IN PARENTHESES)

	MIN. AND MFG PRODUCTION	PRODUCERS' SHIPMENTS	INV. TO SHIP- MENTS RATIO
AUG	111.2 (-1.5)	114.7 (-2.4)	139.6 (3.1)
SEPT	113.0 (1.6)	116.3 (1.4)	139.3 (-0.2)
OCT	113.7 (0.6)	118.5 (1.9)	137.5 (1-1.4)

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4. MOF AND BOJ HAVE REPORTEDLY EASED THEIR FOREIGN EXCHANGE CONTROLS TO PROMOTE INCREASED DOL SUPPLY TO TOKYO FOREX MARKETS. ON DEC 13 MOF INFORMED JAPAN'S BRANCHES OF FOREIGN BANKS THAT AMOUNT OF FOREIGN CURRENCIES CONVERTIBLE TO JAPANESE YEN BY BANKS WOULD BE RAISED BY \$300 MIL TO ESTIMATED \$2.5 BIL, EFFECTIVE JAN 5, 1976. OBSERVERS HERE EXPLAINED MOF MOVE AS DESIGNED TO INCREASE

SUPPLY OF DOLS FROM FOREIGN BANKS TO TOKYO FOREX MARKETS IN ORDER TO SLOW DOWN RECENT STRENGTHENING OF DOL RELATIVE TO YEN AND THUS LIMIT DECLINES IN JAPAN'S OFFICIAL RESERVES. IN RELATED MOVE, MINISTRY NOTIFIED JAPANESE COMMERCIAL BANKS THAT CEILING ON OUTSTANDING SHORT-TERM LOANS ABROAD WOULD BE RAISED BY ABOUT \$300 MIL. SINCE MOF AT SAME TIME SAID IMPORT USANCE CREDITS GRANTED BY FOREIGN BRANCHES OF JAPANESE BANKS TO JAPANESE IMPORTERS WOULD BE EXCLUDED FROM THIS RESTRICTION, EFFECTIVE INCREASE ON OVERALL LENDING BY FOREIGN BRANCHES OF JAPANESE BANKS IS CONSIDERABLY ABOVE \$300 MIL FIGURE.

5. EXPORTS AND IMPORTS, IMF BASIS, BOTH DECLINED ON SEASONALLY ADJUSTED BASIS IN NOV. SHARP 10.7 PERCENT DROP IN EXPORTS (JEI 44) FROM PRIOR MONTH BROUGHT IT TO NEW LOW FOR THIS YEAR. IMPORTS (JEI 48) FEL BY NARLY 6 PERCENT. COMPARED WITH FIRST QUARTER MONTHLY AVERAGES, NOV EXPORTS ARE DOWN 13.9 PERCENT WHILE IMPORTS HAVE DECLINED BY ONLY 2.6 PERCENT.

EXPORTS, IMPORTS, IMF BASIS, .A.

(MIL DOLS; PCT. CH. FROM PRIOR MO IN PARENTHESES)

	EXPORTS	IMPORTS	BALANCE
SEPT	4,326 (0.7)	4,356 (11.9)	-30
OCT	4,704 (8.7)	4,406 (1.1)	298
NOV	4,201 (-10.7)	4,147 (-5.9)	54

6 NOVEMENTS OF MONEY SUPPLY INDICATORS WERE MIXED IN OCT. NARROWLY DEFINED MONEY SUPPLY, M1 (JEI 123), DECLINED FOR SECOND CONSECUTIVE MONTH AND REMAINED BELOW JULY LEVEL. HOWEVER, BROADLY DEFINED MONEY SUPPLY, M2, AS WELL AS LOANS AND DISCMKTS OF ALL BANKS (JEI 133) BOTH INCREASED FROM SEPT LEVEL. OCT WAS SECOND CONSECUTIVE MONTH IN WHICH LATTER TWO INDICATORS HAD EITHER UNCLASSIFIED

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DECREASED BY SMALLER AMOUNT OR GROWN BY LARGER PERCENTAGE THAN M1.

MONEY AND CREDIT, S.A.

(BIL YEN; PCT. CH. FROM PRIOR MO IN PARENTHESES)

	M1	M2	LOANS & DISCOUNTS
AUG	46,504 (3.2)	116,979 (2.0)	84,935 (1.3)
SEPT	44,929 (-3.4)	116,494 (-0.4)	85,389 (0.5)
OCT	44,761 (-0.4)	118,283 (1.5)	86,336 (1.1)

7. WHOLESALE PRICES (JEI 471) ROSE 0.3 PERCENT IN NOV, AND YEAR OVER YEAR INCREASE REMAINED AT 0.8 PERCENT. NOV RISE WAS PACED BY INCREASES IN PRICES OF OIL AND COAL PRODUCTS, CHEMICAL GOODS, AND TEXTILES, WHEREAS DECLINES WERE EGISTERED IN STEEL AND METAL MATERIALS

	INDEX (NSA)	PCT. CH. FROM PRIOR MO
SEPT	157.3	0.3
OCT	157.9	0.4
NOV	158.3	0.3
HODGSON		

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS  
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**Copy:** SINGLE  
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